

**SOUTH CAROLINA CODIFICATION OF LAWS
AND LEGISLATIVE COUNCIL**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

August 1, 2019

Members of the General Assembly
and
Members of the Legislative Council
South Carolina Codification of Laws and Legislative Council
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Codification of Laws and Legislative Council (the Council) on the systems, processes and behaviors related to financial activity of the Council for the fiscal year ended June 30, 2018. The Council's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Council. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Council has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the General Assembly and of the governing body and management of the South Carolina Codification of Laws and Legislative Council and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor

Agreed - Upon Procedures Related to South Carolina Codification of Laws and Legislative Council (A15)

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of the variation in G/L account number 4480120000 (Sale of State Codes and Supplies).
2. Haphazardly select five cash receipts transactions and inspect supporting documentation to:
 - Ensure transaction amount, date, payor, document number, and account classification are properly reported in the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2018 Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
 - Determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

3. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$20,000 and 10% in the general and earmarked funds.
4. Haphazardly select ten non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Council procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Council procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Council.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Determine that disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

We found no exceptions as a result of the procedures.

Payroll

5. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$20,000 and 10% in the general fund.

Payroll (Continued)

6. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes greater than 10%.
7. Haphazardly select five employees and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Council.
- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Council.
 - Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.
8. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Council's policies and procedures, that the employee's last pay check was properly calculated, and that the employee's leave payout was properly calculated in accordance with applicable State law.
 9. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Council's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

We found no exceptions as a result of the procedures.

Journal Entries

10. Inspect all (five) journal entries for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

Finding

The Council recorded the purchase of an asset for \$10,488 to GL Account 5030010003 (Office Supplies and Equip – Non-IT) instead of to GL Account 5030070002 (Legislative Agency - Capital Assets). To correct the original posting the Council recorded a journal entry to debit GL Account 5030010003 again and credit GL Account 5030070002. This resulted in a \$10,488 overstatement in GL Account 5030010003 and a negative balance of \$10,488 in GL Account 5030070002 at fiscal year-end.

Journal Entries (Continued)

Management's Response

This asset was the purchase of shelving for the Legislative Library. Our previous business manager received assistance in handling this transaction. However, our current business manager discovered this issue when performing an audit of the previous year for us. We are working with the Office of the State Comptroller General (CG) again to determine how to correct the overstatement and negative balance.

Reporting Packages

11. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
12. In addition to the procedure above, perform the following:
 - Accounts Payable

Determine if responses and reported amounts are reasonable/accurate based on the inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, SCEIS Yearend Rptg - Prior Year Payables with Vendor and/or Council prepared records. Inspect the sole payable transaction to determine if the amount was properly classified, calculated, and reported on the reporting package.
 - Capital Assets Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on inspection of Council provided supporting documentation and agree amounts reported on the 'Non-SCEIS Agencies Only – Capital Assets Summary Report' to the Council's capital assets worksheet.
 - Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Council prepared records.

Finding

The Council submitted the Unearned Revenue Reporting Package after the due date established by the CG.

Management's Response

We acknowledge this particular GAAP package was submitted one day late. We were in contact with the CG's Office regarding this package.

Judicial Council Bank Account

13. Inquire of management regarding the status of the Judicial Council Bank Account and management's requests to use or return the funds to the State General Fund.

Observation

The Council has initiated contact with the appropriate officials to obtain authorization to use or return the funds. Currently there has been no resolution but the Council is continuing its efforts.

Appropriation Act

14. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
15. Confirm compliance with the selected agreed-upon Council-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of our procedures.

Status of Prior Findings

16. Through inquiry and inspection, determine if the Council has taken appropriate corrective action on the finding reported during the engagement for the prior fiscal year.

We found no exceptions as a result of our procedures.